U.S. Department of Justice

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PRESS RELEASE

FOR IMMEDIATE RELEASE

May 05, 2004

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PRESIDENT OF CALIFORNIA ENERGY COMPANY CONVICTED OF FRAUD

Marcos Daniel Jiménez, United States Attorney for the Southern District of Florida; Jonathan I. Solomon, Special Agent in Charge for the Miami Division, Federal Bureau of Investigation; and James Kohm, Acting Associate Director, Division of Marketing Practices, Federal Trade Commission, announced today that late yesterday the president of a failed California energy company was found guilty of fraud, after a two-week jury trial, before Federal District Court Judge James I. Cohn, in Fort Lauderdale, Florida.

Defendant E. Douglas Mitchell, who was the president of Los Angeles-based PowerSource Corporation, was convicted of one count of conspiracy to commit wire fraud and mail fraud. Mitchell faces up to five years in prison. His sentencing hearing is scheduled for July 16, 2004.

PowerSource was one of a host of "energy service providers" that entered California's newly deregulated electricity industry in 1998. According to evidence introduced during the trial, Mitchell grossly overstated his company's financial condition, its number of customers, and its profit potential. He also made numerous misstatements during telephone conference calls with investors and failed to disclose negative information about the company. Mitchell was the president of PowerSource from 1999 until 2002.

The scheme used spam email, an Internet website, and fraudulent telemarketing sales calls to lure in victims across the country. The investors purchased $10,000 units in a series of limited liability partnerships that were supposed to finance PowerSource.

Only a small percentage of the investment actually went to the company, however, and 61% of the investment was immediately consumed by sales commissions. Investors lost a total of nearly $2.5 million. Some individuals invested as much as $80,000.

Six other individuals involved in the scheme pleaded guilty earlier and have been sentenced to prison terms ranging from one to five years. Thomas P. Norton, who operated a telemarketing sales room in Hallandale, was sentenced to five years in prison. His wife, M. Patricia Riley, was sentenced to two years in prison. David M. Freeman, who worked in Norton's telemarketing sales room, was sentenced to two-and-a-half years in prison. Three California-based men also involved in the scheme, Ronald W. Johnson, James V. Miles, and Gary Spink, were sentenced to prison terms ranging from 21 months to 41 months.

Mr. Jiménez commended the investigative efforts of the Federal Bureau of Investigation and the Federal Trade Commission. This case is being prosecuted by Trial Attorneys Barbara T. Wells and Patrick Jasperse from the Office of Consumer Litigation, United States Department of Justice.

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